

Message Text

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PAGE 01 ALGIER 01903 271323Z

43

ACTION SS-15

INFO OCT-01 NEA-10 ISO-00 XMB-02 EB-07 L-03 PM-04 NSC-05

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC IMMEDIATE 2967

C O N F I D E N T I A L ALGIERS 1903

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

E.O. 11652: GW

TAGS: PFOR, ENRG, AG, US

SUBJ: CHEMICO CONTRACT

REF: STATE 203496

1. MUCH APPRECIATE YOUR EFFORTS IN WASHINGTON RE CHEMICO CONTRACT AND TIMELY RESPONSE TO POINTS RAISED BY ALGERIANS. FOLLOWING RECEIPT REFTEL, I CALLED ON GHOZALI AUGUST 27 AND REVIEWED SUBSTANCE OF MESSAGE WITH HIM. HE SAID FIRSTLY THAT HE WAS NOT ATTEMPTING TO BRING PRESSURE ON CHEMICO THROUGH USG BUT DID WANT USG TO BE AWARE OF PROBLEM.

2. HE THEN CONFIRMED THAT NICHOLS, EXEC. VP OF AEROJET, EXPECTED IN ALGIERS LATE WED., AUG. 27, FOR FURTHER DISCUSSION AND THAT TALKS WOULD FOCUS, AS SUGGESTED REFTEL, ON IMMEDIATE PROBLEM OF CASH FLOW AND LONGER TERM PROBLEM OF TOTAL VALUE OF CONTRACT. RE IMMEDIATE PROBLEM, GHOZALI SAID TEAM OF ENGINEERS AND TECHNICIANS WORKING FOR SONATRACH (WE ASSUME THIS IS IN-O-VEN) WAS IN NEW YORK GOING OVER CHEMICO'S BOOKS. PRELIMINARY REPORT FROM TEAM INDICATED THAT EVEN ON BASIS CHEMICO'S OWN FIGURES, THERE WAS NO IMMEDIATE CASH FLOW PROBLEM FOR AUGUST, AND WOULD NOT BE ONE UNTIL DECEMBER AT EARLIEST. FINAL REPORT ON CASH FLOW PROBLEM, HOWEVER, NOT RECEIVED FROM TEAM. SONATRACH ALSO
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PAGE 02 ALGIER 01903 271323Z

AWAITING TEAM'S RECOMMENDATION ON NEW TOTAL CONTRACT

VALUE.

3. SONATRACH'S POSITION AT MOMENT, ACCORDING TO GHOZALI, IS THIS: IF CHEMICO CAN ESTABLISH THAT IT DOES INDEED HAVE CASH FLOW PROBLEM AND IF FINANCIAL SUPPORT FORTHCOMING FROM EXIM, SONATRACH WILL AGREE TO MAKE ADDITIONAL PAYMENTS ON CONTRACT, I.E. WILL PAY AHEAD OF SCHEDULE, AND BEYOND LUMP-SUM VALUE OF CONTRACT ON UNDERSTANDING THESE ARE ADVANCE PAYMENTS UNDER TERMS OF EXISTING CONTRACT. IF CHEMICO SUCCESSFULLY COMPLETES CONSTRUCTION, SONATRACH WOULD MAKE NO CLAIM TO RECOVER ADVANCES BEYOND CONTRACT AMOUNT AND WOULD BE READY TO GIVE BONUS TO COMPANY. GHOZALI BELIEVES THIS FORMULA SHOULD SATISFY ALGERIAN PRECONDITION THAT CONTRACT REMAIN INTACT WHILE AT SAME TIME SATISFY CHEMICO'S IMMEDIATE AND LONG-TERM PROBLEM. GHOZALI CONTINUES TO BE CONCERNED THAT CHEMICO WANTS TO RENEGOTIATE CONTRACT FROM SCRATCH AND CONTINUES TO INSIST THIS UNACCEPTABLE. HE NOTED AFTER MY PRESENTATION THAT INFORMATION WE HAD PROVIDED APPEARED TO SUPPORT HIS VIEW THAT CHEMICO SEEKING TO ARRANGE ENTIRELY NEW TERMS.

4. COMMENT: GHOZALI CLEARLY APPRECIATED YOUR RESPONSE AND REALIZES USG HAS DONE ITS BEST TO LEND GOOD OFFICES. I AM NOT YET CONVINCED, HOWEVER, THAT ALGERIANS COMPLETELY AWARE OF SERIOUSNESS OF CHEMICO THREAT TO STOP WORK. NICHOLS VISIT MAY WELL CHANGE THAT, HOWEVER.

5. GHOZALI PROMISED TO CALL ME AGAIN AFTER HIS DISCUSSION WITH NICHOLS. I WILL KEEP YOU INFORMED.
PARKER

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